

Wapsie Valley Community School District

Independent Auditor's Reports  
Basic Financial Statements  
And Supplementary Information  
Schedule of Findings

June 30, 2007

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# **Wapsie Valley Community School District**

## **Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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### **Board of Education**

#### **(Before September 2006 Election)**

Randy Woods	President	2006
Merlyn Duffy	Vice President	2008
Lori Zuck	Board Member	2006
Barry Fortsch*	Board Member	2007
Jerry Van Daele	Board Member	2008

### **Board of Education**

#### **(After September 2006 Election)**

Randy Woods	President	2009
Merlyn Duffy	Vice President	2008
Donna Costello	Board Member	2009
Scott LaRue**	Board Member	2007
Jerry Van Daele	Board Member	2008

### **School Officials**

Dan Peterson	Superintendent	2007
Carol Foster	District Secretary	2007
Doris Gruetzmacher	District Treasurer	2007

\* resigned 8/06

\*\* board appointed 9/06

## Independent Auditor's Report

To the Board of Education of  
Wapsie Valley Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Wapsie Valley Community School District, Fairbank, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

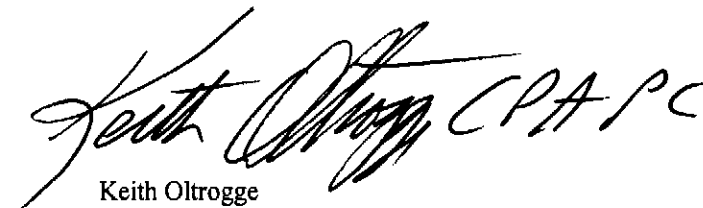
I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Wapsie Valley Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated February 12, 2008 on my consideration of Wapsie Valley Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 31 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wapsie Valley Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge  
Certified Public Accountant

February 12, 2008

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Wapsie Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$4,836,210 in fiscal 2006 to \$5,252,085 in fiscal 2007, while General Fund expenditures increased from \$5,197,521 in fiscal 2006 to \$5,708,200 in fiscal 2007. The District's General Fund balance decreased from \$790,993 in fiscal year 2006 to \$334,878 in fiscal year 2007, a 58% decrease.
- The increase in General Fund revenues was attributable to an increase in local and state sources revenue in fiscal year 2007. The increase in expenditures was due to an increase in the instructional expenditure function area.
- The decrease in the District's General Fund balance resulted in the District's solvency ratio decreasing from 14.3% in 2006 to 5.9% in fiscal 2007. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Wapsie Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Wapsie Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Wapsie Valley Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Wapsie Valley Community School District Annual Financial Report**

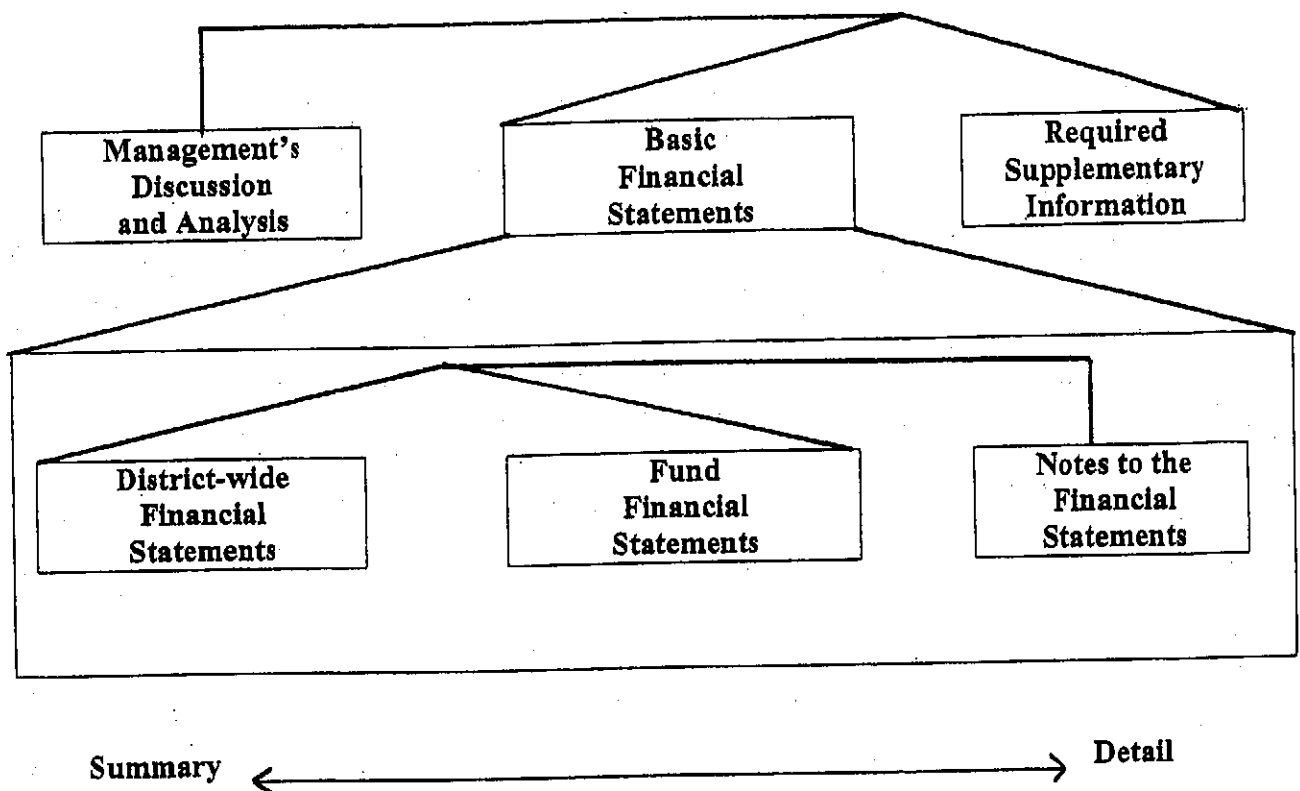


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

**Figure A-3**  
**Condensed Statement of Net Assets**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-2007
Current and other assets	\$4,397,257	\$4,108,190	\$42,914	\$18,175	\$4,440,171	\$4,126,365	\$313,806
Capital assets	2,645,562	2,345,080	2,162	1,173	2,647,724	2,346,253	301,471
Total assets	\$7,042,819	\$6,453,270	\$45,076	\$19,348	\$7,087,895	\$6,472,618	\$615,277
Long-term liabilities	\$890,555	\$1,055,843	\$-	\$-	\$890,555	\$1,055,843	-\$165,288
Other liabilities	3,752,730	2,953,998	54,112	40,698	3,806,842	2,994,696	812,146
Total liabilities	\$4,643,285	\$4,009,841	\$54,112	\$40,698	\$4,697,397	\$4,050,539	\$646,858
Net assets:							
Invested in capital assets, net of related debt	\$1,830,562	\$1,385,080	\$2,162	\$1,173	\$1,832,724	\$1,386,253	\$446,471
Restricted	-	48,083	-	-	-	48,083	-48,083
Unrestricted	568,972	1,010,266	-11,198	-22,523	557,774	987,743	-429,969
Total net assets	\$2,399,534	\$2,443,429	-\$9,036	-\$21,350	\$2,390,498	\$2,422,079	-\$31,581

The District's combined net assets decreased by nearly 1.3%, or \$31,581, over the prior year. The largest portion of the District's net assets is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased by \$48,083, or 100% over the prior year. The decrease was primarily a result of a decrease in prepaid expenses in the general fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased by \$429,969, or 43.5%.

Figure A-4 shows the change in net assets for the year ended June 30, 2007.

**Figure A-4**  
**Changes in Net Assets**

	Governmental Activities	Business Type Activities	Total District
<b>Revenues:</b>			
Program revenues:			
Charges for service	\$561,481	\$161,517	\$722,998
Operating grants, contributions and restricted interest	714,634	87,591	802,225
Capital grants, contributions and restricted interest	-	-	-
General revenues:			
Property tax	1,747,997	-	1,747,997
Local option sales and service tax	419,263	-	419,263
Unrestricted state grants	2,679,364	-	2,679,364
Unrestricted investment earnings	81,636	1,271	82,907
Other	42,596	-	42,596
Total revenues	\$6,246,971	\$250,379	\$6,497,350
<b>Program expenses:</b>			
Governmental activities:			
Instruction	\$4,400,878	-	\$4,400,878
Support services	1,633,101	-	1,633,101
Non-instructional programs	-	238,065	238,065
Other expenses	256,887	-	256,887
Total expenses	\$6,290,866	\$238,065	\$6,528,931
Change in net assets	-\$43,895	\$12,314	-\$31,581

Property tax and unrestricted state grants account for 68.1% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 92.4% of the total expenses.

#### **Governmental Activities**

Revenues for governmental activities were \$6,246,971 and expenses were \$6,290,866.

The following table presents the total and net cost of the District's governmental activities: instruction, support services, non-instructional programs and other expenses.

**Figure A-5**  
**Total and Net Cost of  
Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$4,400,878	\$3,158,687
Support services	1,633,101	1,599,177
Non-instructional programs	-	-
Other expenses	256,887	256,887
Totals	\$6,290,866	\$5,014,751

- The cost financed by users of the District's programs was \$722,998.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$802,225.
- The net cost of governmental activities was financed with \$2,167,260 in property and other taxes and \$2,679,364 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities were \$250,379 and expenses were \$238,065. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### INDIVIDUAL FUND ANALYSIS

As previously noted, Wapsie Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,399,534, below last year's ending fund balances of \$2,443,429.

### BUDGETARY HIGHLIGHTS

The District's receipts were \$401,558 more than budgeted receipts, a variance of 6.1%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instructional and support services functional areas due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2007, the District had invested \$2,647,724, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 11.4% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$216,691.

The original cost of the District's capital assets was \$8,082,646. Governmental funds account for \$8,075,104, with the remainder of \$7,542 accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-2007
Land	\$40,616	\$15,955	\$-	\$-	\$40,616	\$15,955	\$24,661
Construction in process	111,091	-	-	-	111,091	-	111,091
Buildings	1,682,330	1,573,349	-	-	1,682,330	1,573,349	108,981
Improvements other than buildings	109,460	91,043	-	-	109,460	91,043	18,417
Furniture and equipment	702,065	664,733	2,162	1,173	704,227	665,906	38,321
Totals	\$2,645,562	\$2,345,080	\$2,162	\$1,173	\$2,647,724	\$2,346,253	\$301,471

## Long-Term Debt

At June 30, 2007, the District had \$890,555 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 15.7% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

**Figure A-7**  
**Outstanding Long-term Obligations**

	Total District June 30, 2007	Total Change June 30, 2006	2006-2007
General obligation bonds	\$815,000	\$960,000	-\$145,000
Compensated absences	75,555	88,343	-12,788
Early retirement	-	7,500	-7,500
Totals	\$890,555	\$1,055,843	-\$165,288

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carol Foster, District Secretary, Wapsie Valley Community School District, 2535 Viking Avenue, Fairbank IA 50629.

## **Basic Financial Statements**

## Wapsie Valley Community School District

## Statement of Net Assets

June 30, 2007

	Govern- mental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents:			
ISCAP	\$ 1,193,401	\$ -	\$ 1,193,401
Other	953,778	37,552	991,330
Receivables:			
Property tax:			
Delinquent	30,427	-	30,427
Succeeding year	1,711,300	-	1,711,300
Accounts	66,979	248	67,227
Accrued interest:			
ISCAP	22,327	-	22,327
Due from other funds	351,588	-	351,588
Due from other governments	67,457	-	67,457
Inventories	-	5,114	5,114
Capital assets, net of accumulated depreciation	2,645,562	2,162	2,647,724
<b>Total Assets</b>	<b>\$ 7,042,819</b>	<b>\$ 45,076</b>	<b>\$ 7,042,819</b>
<b>Liabilities</b>			
Accounts payable	\$ 85,596	\$ -	\$ 85,596
Salaries and benefits payable	420,113	-	420,113
Early retirement	16,148	-	16,148
Due to other funds	298,470	53,118	351,588
Accrued interest payable	5,989	-	5,989
Deferred revenue-succeeding year property tax	1,711,300	-	1,711,300
Deferred revenue-other	-	994	994
ISCAP warrants payable	1,196,000	-	1,196,000
ISCAP accrued interest payable	13,306	-	13,306
Other current liabilities	5,808	-	5,808
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	150,000	-	150,000
Compensated absences	75,555	-	75,555
Portion due after one year:			
General obligation bonds payable	665,000	-	665,000
<b>Total Liabilities</b>	<b>\$ 4,643,285</b>	<b>\$ 54,112</b>	<b>\$ 4,697,397</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 1,830,562	\$ 2,162	\$ 1,832,724
Unrestricted	568,972	-11,198	557,774
<b>Total Net Assets</b>	<b>\$ 2,399,534</b>	<b>\$ -9,036</b>	<b>\$ 2,390,498</b>

**Wapsie Valley Community School District**

**Statement of Activities**

**Year Ended June 30, 2007**

	Program Revenues			
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses			
<b><u>Functions/Programs</u></b>				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 3,154,031	\$ 242,486	\$ 546,251	\$ -
Special instruction	523,237	25,611	76,480	-
Other instruction	723,610	293,384	57,979	-
	<u>\$ 4,400,878</u>	<u>\$ 561,481</u>	<u>\$ 680,710</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 97,881	\$ -	\$ -	\$ -
Instructional staff services	129,529	-	-	-
Administration services	616,272	-	-	-
Operation and maintenance of plant services	597,756	-	-	-
Transportation services	191,663	-	33,924	-
	<u>\$ 1,633,101</u>	<u>\$ -</u>	<u>\$ 33,924</u>	<u>\$ -</u>
Other Expenditures:				
Long-term debt interest	\$ 41,289	\$ -	\$ -	\$ -
AEA flow-through	215,598	-	-	-
	<u>\$ 256,887</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 6,290,866</u>	<u>\$ 561,481</u>	<u>\$ 714,634</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 238,065	\$ 161,517	\$ 87,591	\$ -
Total	<u>\$ 6,528,931</u>	<u>\$ 722,998</u>	<u>\$ 802,225</u>	<u>\$ -</u>



Net (Expense) Revenue  
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	-2,365,294	\$	-	\$ -2,365,294
	-421,146		-	-421,146
	-372,247		-	-372,247
\$	-3,158,687	\$	-	\$ -3,158,687
\$	-97,881	\$	-	\$ -97,881
	-129,529		-	-129,529
	-616,272		-	-616,272
	-597,756		-	-597,756
	-157,739		-	-157,739
\$	-1,599,177	\$	-	\$ -1,599,177
\$	-41,289	\$	-	\$ -41,289
	-215,598		-	-215,598
\$	-256,887	\$	-	\$ -256,887
\$	-5,014,751	\$	-	\$ -5,014,751
\$	-	\$	11,043	\$ 11,043
\$	-5,014,751	\$	11,043	\$ -5,003,708

**Wapsie Valley Community School District**

**Statement of Activities**

**Year Ended June 30, 2007**

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			

**General Revenues:**

Property Tax Levied For:  
    General purposes  
    Capital outlay  
Local option sales and services tax  
Unrestricted state grants  
Unrestricted investment earnings  
Other

Total General Revenues

Change in net assets  
Net assets beginning of year

Net Assets End of Year

See notes to financial statements.

Net (Expense) Revenue  
And Changes in Net Assets

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Governmental Activities	Business Type Activities	Total
\$ 1,603,854	\$ -	\$ 1,603,854
144,143	-	144,143
419,263	-	419,263
2,679,364	-	2,679,364
81,636	1,271	82,907
42,596	-	42,596
<hr/>		
\$ 4,970,856	\$ 1,271	\$ 4,972,127
<hr/>		
\$ -43,895	\$ 12,314	\$ -31,581
2,443,429	-21,350	2,422,079
<hr/>		
\$ 2,399,534	\$ -9,036	\$ 2,390,498
<hr/>		

## Wapsie Valley Community School District

Balance Sheet  
Governmental Funds

June 30, 2007

	General	Capital Projects	Non- major Special Revenue	Total
<b>Assets</b>				
Cash and Pooled Investments:				
ISCAP	\$ 1,193,401	\$ -	\$ -	\$ 1,193,401
Other	486,897	249,995	216,886	953,778
Receivables:				
Property Tax:				
Delinquent	25,305	-	5,122	30,427
Succeeding year	1,414,134	-	297,166	1,711,300
Accounts	2,382	64,335	262	66,979
Accrued interest:				
ISCAP	22,327	-	-	22,327
Due from other funds	212,573	-	139,015	351,588
Due from other governments	67,457	-	-	67,457
<b>Total Assets</b>	<b>\$ 3,424,476</b>	<b>\$ 314,330</b>	<b>\$ 658,451</b>	<b>\$ 4,397,257</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 40,237	\$ 39,919	\$ 5,440	\$ 85,596
Salaries and benefits payable	420,113	-	-	420,113
Early retirement	-	-	16,148	16,148
Due to other funds	-	158,530	139,940	298,470
ISCAP warrants payable	1,196,000	-	-	1,196,000
ISCAP accrued interest payable	13,306	-	-	13,306
Other current liabilities	5,808	-	-	5,808
Deferred Revenue:				
Succeeding year property tax	1,414,134	-	297,166	1,711,300
<b>Total Liabilities</b>	<b>\$ 3,089,598</b>	<b>\$ 198,449</b>	<b>\$ 458,694</b>	<b>\$ 3,746,741</b>
Fund Balances:				
Unreserved	\$ 334,878	\$ 115,881	\$ 199,757	\$ 650,516
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,424,476</b>	<b>\$ 314,330</b>	<b>\$ 658,451</b>	<b>\$ 4,397,257</b>

**Wapsie Valley Community School District**  
**Reconciliation of the Balance Sheet – Governmental Funds**  
**To the Statement of Net Assets**

**June 30, 2007**

<b>Total fund balances of governmental funds (page 15)</b>	\$ 650,516
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	2,645,562
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-5,989
Long-term liabilities, including bonds and notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds	<u>-890,555</u>
<b>Net assets of governmental activities (page 12)</b>	<u>\$ 2,399,534</u>

## Wapsie Valley Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year Ended June 30, 2007

	General	Capital Projects	Non- Major Special Revenue	Total
Revenues:				
Local Sources:				
Local tax	\$ 1,478,686	\$ -	\$ 269,311	\$ 1,747,997
Tuition	193,585	-	-	193,585
Other	186,033	421,863	303,495	911,391
Intermediate sources	-	-	-	-
State sources	3,217,389	-	217	3,217,606
Federal sources	176,392	-	-	176,392
Total Revenues	\$ 5,252,085	\$ 421,863	\$ 573,023	\$ 6,246,971
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 3,076,935	\$ -	\$ 68,344	\$ 3,145,279
Special instruction	523,237	-	-	523,237
Other instruction	416,017	-	296,702	712,719
	\$ 4,016,189	\$ -	\$ 365,046	\$ 4,381,235
Support Services:				
Student services	\$ 97,881	\$ -	\$ -	\$ 97,881
Instructional staff services	127,779	-	-	127,779
Administration services	613,031	-	-	613,031
Operation and maintenance of plant services	477,155	382,852	71,833	931,840
Transportation services	160,567	-	3,165	163,732
	\$ 1,476,413	\$ 382,852	\$ 74,998	\$ 1,934,263
Other Expenditures:				
Facilities acquisition	\$ -	\$ -	\$ 39,251	\$ 39,251
Long-Term Debt:				
Principal	-	-	145,000	145,000
Interest and fiscal charges	-	-	42,280	42,280
AEA flow-through	215,598	-	-	215,598
	\$ 215,598	\$ -	\$ 226,531	\$ 442,129
Total Expenditures	\$ 5,708,200	\$ 382,852	\$ 666,575	\$ 6,757,627
Excess (deficiency) of revenues over (under) expenditures	\$ -456,115	\$ 39,011	\$ -93,552	\$ -510,656
Other Financing Sources (Uses):				
Operating transfers in	\$ -	-	\$ 187,280	\$ 187,280
Operating transfers out	-	139,215	48,065	-187,280
Total Other Financing Sources (Uses)	\$ -	\$ -139,215	\$ 139,215	\$ -
Net change in fund balances	\$ -456,115	\$ -100,204	\$ 45,663	\$ -510,656
Fund balances beginning of year	790,993	216,085	154,094	1,161,172
Fund Balances End of Year	\$ 334,878	\$ 115,881	\$ 199,757	\$ 650,516

See notes to financial statements.

## Wapsie Valley Community School District

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds  
To the Statement of Activities**

**Year Ended June 30, 2007**

**Net change in fund balances – total governmental funds (page 17)** \$ -510,656

***Amounts reported for governmental activities in the Statement of Activities are  
different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 516,512	
Depreciation expense	<u>-216,030</u>	300,482

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Repaid	145,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	\$ 12,788	
Early retirement	<u>7,500</u>	20,288

**Change in Net Assets of Governmental Activities (page 14)** \$ -43,895

## Wapsie Valley Community School District

Statement of Net Assets  
Proprietary Fund

June 30, 2007

	School Nutrition
<b>Assets</b>	
Cash and cash equivalents	\$ 37,552
Accounts receivable	248
Inventories	5,114
Capital assets, net of accumulated depreciation	2,162
<b>Total Assets</b>	<b>\$ 45,076</b>
<b>Liabilities</b>	
Inter-fund payable	\$ 53,118
Deferred revenue	994
<b>Total Liabilities</b>	<b>\$ 54,112</b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	\$ 2,162
Unrestricted	-11,198
<b>Total Net Assets</b>	<b>\$ -9,036</b>



**Wapsie Valley Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**

**June 30, 2007**

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 161,517
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 80,764
Benefits	41,922
Purchased services	245
Supplies	114,473
Depreciation	661
Total operating expenses	\$ 238,065
Operating loss	\$ -76,548
Non-operating revenues:	
State sources	\$ 3,471
Federal sources	84,120
Interest income	1,271
Total non-operating revenues	\$ 88,862
Change in net assets	\$ 12,314
Net assets beginning of year	-21,350
Net Assets End of Year	\$ -9,036

Wapsie Valley Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2007

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 161,482
Cash paid to employees for services	-109,263
Cash paid to suppliers for goods or services	-101,142
Net cash used by operating activities	<u>\$ -48,923</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,471
Federal grants received	68,940
Net cash provided by non-capital financing activities	<u>\$ 72,411</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 1,271</u>
Net increase in cash and cash equivalents	\$ 24,759
Cash and cash equivalents beginning of year	<u>12,793</u>
Cash and Cash Equivalents End of Year	<u>\$ 37,552</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ -76,548
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	15,224
Depreciation	661
Increase in inventories	-1,613
(Increase) in accounts receivable	-60
(Decrease) in deferred revenue	-9
Increase in inter-fund payable	<u>13,422</u>
Net Cash Used by Operating Activities	<u>\$ -48,923</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2007, the District received \$15,180 of federal commodities.

## Wapsie Valley Community School District

### Notes to Financial Statements

June 30, 2007

#### (1) Summary of Significant Accounting Policies

Wapsie Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Readlyn, Fairbank and Oran, Iowa and portions of the predominately agricultural territories in Bremer, Buchanan, Fayette and Black Hawk Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, Wapsie Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Wapsie Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

##### B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

During the year ended June 30, 2007, expenditures in the instruction and support services functional areas exceeded the amounts budgeted.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**(3) Due From and Due to Other Funds**

The detail of inter-fund receivables and payables at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Enterprise-Nutrition	\$ 53,118
General Fund	Capital Projects	19,515
General Fund	Physical Plant and Equipment Levy	84,035
General Fund	Student Activity	55,905
		<u>\$ 212,573</u>

The Nutrition Fund owes the General Fund for salaries in prior years. The balance will be repaid when the funds become available. The Physical Plant and Equipment Levy owes the General Fund. The Student Activity Fund owes the General Fund for textbooks, the balance was repaid after June 30, 2007. The Capital Project Fund owed the General Fund, the balance was repaid after June 30, 2007.

**(4) Inter-fund Transfers**

The detail of inter-fund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Physical Plant and Equipment Levy	\$ 48,065
Debt Service	Capital Projects	139,215
Total		<u>\$ 187,280</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(5) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable	Un-amortized Premium
2006-07A	6/28/06	6/28/07	\$ -	\$ 5,731	\$ -	\$ -	\$ -
2006-07B	1/26/07	1/25/08	729,136	16,457	731,000	13,192	2,358
2007-08A	6/27/07	6/27/08	464,265	139	465,000	114	3,450
			<u>\$ 1,193,401</u>	<u>\$ 22,327</u>	<u>\$ 1,196,000</u>	<u>\$ 13,306</u>	<u>\$ 5,808</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2007.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07A	4.500%	5.676%
2006-07B	4.250%	5.315%
2007-08A	4.500%	5.455%



(6) **Capital Assets**

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 15,955	\$ 24,661	\$ -	\$ 40,616
Construction in process	-	111,091	-	111,091
Total capital assets not being depreciated	\$ 15,955	\$ 135,752	\$ -	\$ 151,707
Capital assets being depreciated:				
Buildings	\$ 4,521,214	\$ 167,642	\$ -	\$ 4,688,856
Improvements other than buildings	367,315	33,348	-	400,663
Furniture and equipment	2,657,108	179,770	3,000	2,833,878
Total capital assets being depreciated	\$ 7,545,637	\$ 380,760	\$ 3,000	\$ 7,923,397
Less accumulated depreciation for:				
Buildings	\$ 2,947,865	\$ 58,661	\$ -	\$ 3,006,526
Improvements other than buildings	276,272	14,931	-	291,203
Furniture and equipment	1,992,375	142,438	3,000	2,131,813
Total accumulated depreciation	\$ 5,216,512	\$ 216,030	\$ 3,000	\$ 5,429,542
Total capital assets being depreciated, net	\$ 2,329,125	\$ 164,730	\$ -	\$ 2,493,855
Governmental Activities Capital Assets, Net	\$ 2,345,080	\$ 300,482	\$ -	\$ 2,645,562

	Balance Beginning Of Year	Increases	Decreases	Adjustments	Balance End Of Year
<b>Business type activities:</b>					
Furniture and equipment	\$ 27,182	\$ -	\$ 19,640	\$ -	\$ 7,542
Less accumulated depreciation	26,009	661	19,640	1,650	5,380
Business Type Activities Capital Assets, Net	\$ 1,173	\$ -661	\$ -	\$ 1,650	\$ 2,162

Depreciation expense was charged to the following functions:

**Governmental Activities:**

Instruction:

Regular	\$ 146,584
Other	10,891

Support services:

Instructional staff	1,750
Administration	2,708
Operation and maintenance of plant	26,166
Transportation	27,931

Unallocated

Total Depreciation Expense – Governmental Activities

-
\$ 216,030

**Business Type Activities:**

Food service operations

\$ 661
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## (7) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	\$ 960,000	\$ -	\$ 145,000	\$ 815,000	\$ 150,000
Compensated absences	88,343	-	12,788	75,555	75,555
Early retirement	7,500	15,000	22,500	-	-
Total	\$ 1,055,843	\$ 15,000	\$ 180,288	\$ 890,555	\$ 225,555

### General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending	Interest Rate	Principal	Interest	Total
2008	4.20%	\$ 150,000	\$ 35,935	\$ 185,935
2009	4.30%	155,000	29,635	184,635
2010	4.40%	160,000	22,970	182,970
2011	4.50%	170,000	15,930	185,930
2012	4.60%	180,000	8,280	188,280
Total		\$ 815,000	\$ 112,750	\$ 927,750

During the year ended June 30, 2007, the District made principal, interest and fees payments totaling \$187,280 under the agreements.

### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of service to the District. Employees must complete an application, which is required to be approved by the Board of Education. The early retirement incentive is that each eligible employee will receive \$15,000. Early retirement benefits paid during the year ended June 30, 2007 totaled \$22,500. The cost of early retirement payments expected to be liquidated currently are recorded as a liability of the Special Revenue, Management Levy Fund. A liability has been recorded in the Governmental Activities Long-Term Liabilities section representing the District's commitment to fund non-current early retirement.

## (8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$164,274, \$152,980 and \$141,839, respectively, equal to the required contributions for each year.

## (9) Risk Management

Wapsie Valley Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$215,598 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Commitments**

The District has entered into contracts for the construction of two rural school buildings, of which \$111,091 was complete as of June 30, 2007.

## **Required Supplementary Information**

**Wapsie Valley Community School District**

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
Budget and Actual – All Governmental Funds and Proprietary Fund**

**Required Supplementary Information**

**Year Ended June 30, 2007**

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 2,852,973	\$ 162,788
Intermediate sources	-	-
State sources	3,217,606	3,471
Federal sources	176,392	84,120
Total Receipts	<u>\$ 6,246,971</u>	<u>\$ 250,379</u>
Disbursements:		
Instruction	\$ 4,381,235	\$ -
Support services	1,934,263	-
Non-instructional programs	-	238,065
Other expenditures	442,129	-
Total Disbursements	<u>\$ 6,757,627</u>	<u>\$ 238,065</u>
Excess (deficiency) of receipts over (under) disbursements	\$ -510,656	\$ 12,314
Balances beginning of year	1,161,172	-21,350
Balances End of Year	<u>\$ 650,516</u>	<u>\$ -9,036</u>

See accompanying independent auditor's report.

	Total Actual		Budgeted Amounts		Variance
\$	3,015,761	\$	2,733,663	\$	282,098
	-		-		-
	3,221,077		3,108,925		112,152
	260,512		253,204		7,308
\$	6,497,350	\$	6,095,792	\$	401,558
\$	4,381,235	\$	4,265,813	\$	-115,422
	1,934,263		1,727,578		-206,685
	238,065		285,899		47,834
	442,129		547,846		105,717
\$	6,995,692	\$	6,827,136	\$	-168,556
\$	-498,342	\$	-731,344	\$	233,002
	1,139,822		1,703,005		-563,183
\$	641,480	\$	971,661	\$	-330,181

**Wapsie Valley Community School District**

**Notes to Required Supplementary Information – Budgetary Reporting**

**Year Ended June 30, 2007**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2007, expenditures in the instruction and support services functions exceeded the amounts budgeted.

## **Other Supplementary Information**



## Wapsie Valley Community School District

Combining Balance Sheet  
Non-Major Special Revenue Funds

June 30, 2007

	Physical Plant and Equipment Levy	Management Levy	Student Activity	Total
<b>Assets</b>				
Cash and pooled investments	\$ 25,682	\$ 60,128	\$ 131,076	\$ 216,886
Receivables:				
Property Tax:				
Delinquent	2,685	2,437	-	5,122
Succeeding year	147,166	150,000	-	297,166
Accounts	-	-	262	262
Due from other funds	139,015	-	-	139,015
<b>Total Assets</b>	<b>\$ 314,548</b>	<b>\$ 212,565</b>	<b>\$ 131,338</b>	<b>\$ 658,451</b>
<b>Liabilities &amp; Fund Equity</b>				
Liabilities:				
Due to other funds	\$ 84,035	\$ -	\$ 55,905	\$ 139,940
Accounts payable	-	-	5,440	5,440
Early retirement	-	16,148	-	16,148
Deferred revenue:				
Succeeding year property tax	147,166	150,000	-	297,166
Total Liabilities	\$ 231,201	\$ 166,148	\$ 61,345	\$ 458,694
Fund Equity:				
Unreserved fund balances	\$ 83,347	\$ 46,417	\$ 69,993	\$ 199,757
<b>Total Liabilities and Fund Equity</b>	<b>\$ 314,548</b>	<b>\$ 212,565</b>	<b>\$ 131,338</b>	<b>\$ 658,451</b>

## Wapsie Valley Community School District

**Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Non-Major Special Revenue Funds**

**Year Ended June 30, 2007**

	Physical Plant and Equipment Levy	Debt Service	Management Levy	Student Activity	Total
<b>Revenues:</b>					
Local Sources:					
Local tax	\$ 144,143	\$ -	\$ 125,168	\$ -	\$ 269,311
Other	6,557	-	-	296,938	303,495
State sources	120	-	97	-	217
Total Revenues	\$ 150,820	\$ -	\$ 125,265	\$ 296,938	\$ 573,023
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular instruction	\$ 38,527	\$ -	\$ 29,817	\$ -	\$ 68,344
Other instruction	-	-	-	296,702	296,702
Support Services:					
Operation and maintenance of plant services	24,727	-	47,106	-	71,833
Transportation	-	-	3,165	-	3,165
Other Expenditures:					
Facilities acquisition	39,251	-	-	-	39,251
Long-Term Debt:					
Principal	-	145,000	-	-	145,000
Interest and fiscal charges	-	42,280	-	-	42,280
Total Expenditures	\$ 102,505	\$ 187,280	\$ 80,088	\$ 296,702	\$ 666,575
Excess (deficiency) of revenues over (under) expenditures	\$ 48,315	\$ -187,280	\$ 45,177	\$ 236	\$ -93,552
Other Financing Sources (Uses):					
Operating transfers in (out)	\$ -48,065	\$ 187,280	\$ -	\$ -	\$ 139,215
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ 250	\$ -	\$ 45,177	\$ 236	\$ 45,663
Fund balances beginning of year	83,097	-	1,240	69,757	154,094
Fund Balances End of Year	\$ 83,347	\$ -	\$ 46,417	\$ 69,993	\$ 199,757

See accompanying independent auditor's report.

## Wapsie Valley Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2007

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Balance End of Year
Ed Foundation	\$ 17,139	\$ 44,806	\$ 14,231	\$ 47,714
Resale:				
Industrial Arts	301	88	48	341
Music	-2,019	2,019	-	-
Postage	3	-	-	3
Textbooks	55,768	-	55,768	-
Athletics	-33,230	151,172	139,313	-21,371
Yearbook	2,259	8,470	8,007	2,722
Music programs	1,192	8,754	6,094	3,852
Music Trust Fund	4,096	745	-	4,841
Student Council	-107	659	552	-
Vocational Agriculture Club	19,953	64,143	59,418	24,678
Dramatics	-1,349	4,250	2,901	-
Junior High Student Council	894	627	104	1,417
Towels	4	-	-	4
Interest	2,405	3,803	4,829	1,379
Class of 2006	133	167	-	300
Class of 2007	1,092	1,214	2,117	189
Class of 2008	-	4,685	2,591	2,094
Class of 2009	-	210	100	110
Class of 2010	-	1,076	538	538
Class of 2011	-	50	25	25
Children's Emergency Fund	1,107	-	-	1,107
NHS	116	-	66	50
Total	\$ 69,757	\$ 296,938	\$ 296,702	\$ 69,993

## Wapsie Valley Community School District

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

## For the Last Four Years

	Modified Accrual Basis			
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues:				
Local Sources:				
Local tax	\$ 1,747,997	\$ 1,732,495	\$ 1,791,249	\$ 2,079,903
Tuition	193,585	120,922	115,269	114,801
Other	911,391	720,352	806,291	526,166
Intermediate sources	-	-	-	-
State sources	3,217,606	2,965,728	2,877,391	2,939,531
Federal sources	176,392	182,013	188,619	139,367
Total	\$ 6,246,971	\$ 5,721,510	\$ 5,778,819	\$ 5,799,768
Expenditures:				
Instruction:				
Regular instruction	\$ 3,145,279	\$ 2,664,094	\$ 2,290,311	\$ 2,241,483
Special instruction	523,237	510,558	513,911	696,077
Other instruction	712,719	683,449	703,850	621,878
Support services:				
Student services	97,881	86,535	83,826	81,454
Instructional staff services	127,779	51,112	46,994	62,154
Administration services	613,031	524,665	427,426	478,364
Operation and maintenance of plant services	931,840	889,770	433,600	478,149
Transportation services	163,732	163,577	198,957	153,606
Community services	-	-	182	-
Central support services	-	-	-	650
Non-instructional programs	-	-	13,214	10,199
Other expenditures:				
Facilities acquisition	39,251	123,136	309,573	63,407
Long-term debt:				
Principal	145,000	140,000	130,000	130,000
Interest and other charges	42,280	47,880	52,430	56,245
AEA flow-through	215,598	205,288	205,149	209,371
Total	\$ 6,757,627	\$ 6,090,064	\$ 5,409,423	\$ 5,283,037

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of  
Wapsie Valley Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Wapsie Valley Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated February 12, 2008. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Wapsie Valley Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Wapsie Valley Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Wapsie Valley Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies and other deficiencies I consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Wapsie Valley Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Wapsie Valley Community School District's financial statements that is more inconsequential will not be prevented or detected by Wapsie Valley Community School District's internal control. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Wapsie Valley Community School District's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe items I-A-07 is a material weakness.

#### Compliance and Other Matters

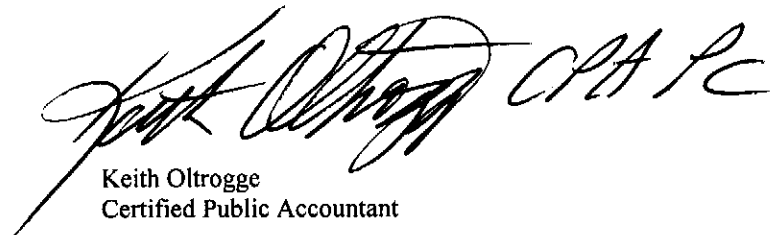
As part of obtaining reasonable assurance about whether Wapsie Valley Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Wapsie Valley Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Wapsie Valley Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Wapsie Valley Community School District and other parties to whom Wapsie Valley Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Wapsie Valley Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge  
Certified Public Accountant

February 12, 2008

**Wapsie Valley Community School District**

**Schedule of Findings**

**Year Ended June 30, 2007**

**Part I – Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCIES:**

- I-A-07 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation – With the limited number of personnel involved in accounting for District activity, an ideal system of segregation of accounting duties and functions cannot be achieved to assure adequate internal control over the safeguarding of assets and the reliability of financial records and reporting. This is not unusual in an organization of your size. Under these circumstances, the most effective controls lie in (1) the administration's and the Board's knowledge of the District's financial operations and (2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transactions. I believe these controls are being effectively utilized in the District and recommend that diligent efforts be made to maintain their effectiveness.

Response – We will continue to monitor procedures from administrative and Board levels.

Conclusion – Response accepted.



**Wapsie Valley Community School District**

**Schedule of Findings**

**Year Ended June 30, 2007**

**Part II - Other Findings Related to Statutory Reporting:**

II-A-07 Certified Budget - Expenditures for the year ended June 30, 2007 exceeded the certified budget amount in the instructional and support services functions.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-B-07 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-07 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-07 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title & Business Connection	Transaction Description	Amount
Mark Owens – employee	Services	\$6,946
Brian Weepie – employee	Services	\$1,673

In accordance with an attorney General's opinion dated November 9, 1976, the above transaction does not appear to represent a conflict of interest.

II-E-07 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-F-07 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted. Not all minutes were published as required by Chapter 279.35 of the Code of Iowa.

Recommendation - The Board Secretary should furnish a copy of the Board proceedings with all disbursements to be published within two weeks of each meeting.

Response – All minutes will be published as required.

Conclusion – Response accepted.

- II-G-07 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-I-07 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.
- II-J-07 Student Activity Fund – The Student Activity Fund includes an account which should have been reclassified by a residual equity transfer in prior years in order for the fund to conform to U.S. generally accepted accounting principles in accordance with Chapter 257.31(4) of the Code of Iowa. This account is identified as "Music Trust". This should have been closed or reclassified prior to the fiscal 1997 GAAP conversion and should be corrected by the District. According to the Department of Education, the District should be accounting for this in the General Fund or should assign the proceeds to a specific activity.

Recommendation – The District should make a corrective transfer to account for this in the General Fund or another activity.

Response – We will review this account and reallocate where necessary to other proper activities..

Conclusion – Response accepted.

- II-K-07 Financial Condition – Activity Fund – The Student Activity Account had one deficit account at June 30, 2007.

Recommendation – The District should continue to monitor this situation and investigate alternatives to eliminate these deficits in order to return the accounts to sound financial conditions.

Response – We are working on this.

Conclusion – Response accepted.